

USAID/West Bank and Gaza
ANNUAL REPORT FY 2003

3/13/2003

Please Note:

The attached RESULTS INFORMATION is from the FY 2003 Annual Report and was assembled and analyzed by the country or USAID operating unit identified on the cover page.

The Annual Report is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

Related document information can be obtained from:

USAID Development Experience Clearinghouse

1611 N. Kent Street, Suite 200

Arlington, VA 22209-2111

Telephone: 703-351-4006 Ext 106

Fax: 703-351-4039

Email: docorder@dec.cdie.org

Internet: <http://www.dec.org>

Portions released on or after July 1, 2003

A. Program Level Narrative

Program Performance Summary:

Country Setting: As seen daily in the news, the conflict in the West Bank and Gaza remains volatile and unpredictable. Already on the decline, the economic and health situation of the Palestinian population took a rapid turn for the worse in April 2002, after a series of terrorist incidents in Israel resulted in retaliatory military action in several West Bank cities and towns. Tens of thousands of Palestinians were cut off from food supplies, medical care, employment and essential services, as closures became more permanent.

Unemployment has increased to more than 50 percent. Some 70 percent of the people in the West Bank and Gaza are living under the official poverty rate of \$2 per day, almost double the percentage reported in last year's Annual Report. A USAID-funded Rapid Nutritional Assessment exposed alarming rates of acute and chronic malnutrition among Palestinian women and children. Palestinian families, meanwhile, report a 51.9 percent decrease in the amount of food they consume and approximately 50 percent of the population require external food assistance to help meet their daily caloric intake.

The incidence of low birth weight has increased, while births attended by skilled health workers have decreased. The incidence of diarrhea is growing due to poor water quality and risk of disease outbreaks remains high because national immunization schedules have been interrupted by curfews, closures, and electricity outages. And, preliminary findings of a USAID-funded Birzeit University survey confirm that the exposure to death, injury, and violence in all its forms plus widespread deprivation are leaving psychological scars, especially among Palestinian children.

The violence, curfews, closures and lack of funds severely hampered provision of basic health and education services by the Palestinian Authority (PA). With little if any budgetary transfers to local governments, municipal services have been drastically cut. Only through donor budget support has the Palestinian Authority, the largest employer, been able to pay salaries and prevent a total economic collapse and broader humanitarian crisis.

Surprisingly, despite experiencing the brunt of the Spring 2002 incursions, the Palestinian private sector continues to function, although at a much reduced level. Though larger industries, such as those in information technology (IT), furniture, and stone and marble sectors, continue to operate in the domestic and export market, the broader private sector, especially micro, small and medium enterprises, will need years of investments and a sound regulatory environment to reach the level of economic growth enjoyed prior to the start of the Intifada in October 2000.

Two pivotal events influenced the direction of the USAID program during the past year: the aforementioned Israeli military incursions and President Bush's groundbreaking June 24 speech. As a result of the worsening humanitarian situation and growing needs, USAID provided more than \$130 million for health, water, psycho-social and jobs/income programs. The President's speech, meanwhile, articulated a political solution to the conflict - two states, Palestine and Israel, living together side by side in peace and security. The speech also stated that peace requires new Palestinian leadership and major reform of Palestinian economic and political institutions. USAID, working closely with State Department and other donor colleagues, expanded US support for reform programs and played a significant policy dialogue role in encouraging reform efforts.

Other Donors: Following a drastic decline in domestic revenue collections (from \$ 973 million in 2000 to \$250 million in 2002), the PA has relied on the nearly one billion dollars provided over the past two years by the Arab world and the European Union for budgetary support, with smaller contributions by the World Bank and Norway. Overall donor funding has doubled since the start of the Intifada to an estimated \$2 billion in 2002, with the bulk of the increase directed toward PA budgetary support and humanitarian/emergency relief efforts. Several donors have, however, reduced their long-term development programs in view of the difficult conditions on the ground and the growing short-term

emergency needs. USAID's principal donor partners are the EU and the United Nations family (UNRWA, WFP, UNICEF, etc.).

Donor coordination is highly developed, with several layers of donor coordination mechanisms. The Ad Hoc Liaison Committee (AHLC) brings together capital level decision makers from key donor organizations; the Joint Liaison Committee (JLC) serves as the local counterpart and members meet regularly to discuss broad policy issues. A broader-based Local Assistance Coordinating Committee (LACC) includes all donors active in the Palestinian Territories. Several Task Forces operate under LACC auspices, including: a) Task Force on Project Implementation, which includes representatives from USAID, the European Union, the United Nations and the World Bank and which works closely with Israeli government officials to facilitate project implementation and field access for the delivery of all forms of assistance; b) Humanitarian Task Force for Emergency Needs (HFTEN), which provides continual monitoring and analysis of the situation for the benefit of donors, Palestinians and Israelis; and c) Local Level Task Force on Palestinian Reform, which through the formation of seven Reform Support Groups, monitors progress on PA reforms articulated in the PA 100 day plan. A host of sectoral working groups and emergency operation centers share information and facilitate the coordination of assistance on the ground.

Most important challenges: The most important challenges that USAID confronts is meeting the immediate and on-going emergency humanitarian needs of Palestinians while not losing focus on medium to long term development goals. Some 73 percent of the Mission's obligations during the last two years were for activities that address urgent and critical needs. As explained in two recent UN reports, the humanitarian situation, deriving principally from the continuation of curfews and closures, is mainly a political problem. Given the continued political stalemate, and the growing humanitarian crisis, USAID anticipates providing vital emergency and humanitarian assistance for at least another 12-18 months. At the same time, USAID is pursuing a robust medium to longer term development program focused on private sector revitalization, political and economic reform consistent with the policy priorities of the administration, and water infrastructure to meet this basic human need. Despite the incredible difficulties, significant results continue to be achieved in all areas.

Since the start of the current conflict in October 2000, the Mission initiated emergency and humanitarian programs related to job creation, health, psychosocial support, food and water. Consequently, in the immediate aftermath of the Spring incursions, the Mission was pre-positioned for a major expansion of its humanitarian programs to meet immediate and growing needs. USAID grantees procured and delivered more than \$5 million worth of emergency medical equipment, pharmaceuticals and supplies to clinics and hospitals throughout the West Bank and Gaza, trained health professionals in critical emergency care and funded psychosocial play and art therapy to help more than 16,000 children cope with the daily violence and trauma they witness. USAID funded emergency water infrastructure repair in dozens of municipalities, restoring water to tens of thousands, and funded water delivery to towns and villages cut off from water supply networks due to the conflict. In addition, short-term job creation programs generated more than 730,000 person days of work, quickly placing cash in the hands of the most needy. With the emphasis on labor-intensive approaches to infrastructure development, projects not only yielded job opportunities but other sustainable improvements such as paved roads, new schools, and quality municipal services.

From a longer-term perspective, USAID laid the groundwork for a robust program to support business revitalization, placing priority on assisting enterprises that can absorb labor, create permanent jobs and produce incomes. The Mission funds a Palestinian private trade organization that helps develop export markets and serves as an advocate on economic reform issues with the Palestinian Authority. In addition, 17.8 million in increased exports this past year were directly attributable to USAID's work with key business associations.

Significant progress with water infrastructure projects demonstrates that, with creativity and a pro-active dialogue with Israeli authorities, large scale construction activities can be implemented successfully. USAID and the Palestinian Water Authority (PWA) signed a Memorandum of Understanding for a large

desalination plant using Mediterranean Sea water and a major water carrier in Gaza. Preliminary designs for these major infrastructure activities are now complete.

Since President Bush's speech, the Mission, utilizing mechanisms already in place, has responded to the PA's reform agenda with a series of targeted interventions. Most notably, the Mission funded an elections assessment and a comparative study of election laws, training for 27 Palestinian judges at the judicial training institute in Cairo, and a plan to re-engineer the consolidated Ministry of Economy, Trade and Industry. The Mission also reprogrammed \$10 million to expand Palestinian reform efforts in these and other areas such as civil society, the reform of other PA ministries, and political party development.

Whether the Mission is addressing humanitarian needs or implementing longer term development programs, a daily challenge is the lack of unfettered access to beneficiaries, Palestinian partners and project sites. Hampered by curfews, closures and checkpoints, the Mission has maintained effective project oversight through a variety of creative means. A systematized, closely coordinated relationship with Israeli authorities helps to ensure the passage of people and equipment in and out of Palestinian areas in a relatively timely manner. USAID's local staff, restricted to certain areas because of curfew or closures, often serve as the eyes and ears of project managers unable to reach project sites. More detailed reporting by contractors and grantees enable the staff to monitor progress. A recently launched Geographic Information System available to USAID staff and implementing partners will further facilitate program management. Setbacks in project implementation are unavoidable, but much reduced because of the measures employed by the Mission.

Key achievements during reporting period: Despite adverse circumstances, the Mission achieved a great deal during the reporting period. The following are of particular importance:

1. Humanitarian Disaster Averted: Thus far, a true humanitarian crisis has been averted. This is in large part due to the endurance of the Palestinian health care system and professionals and to significant financial support from donors. USAID has programmed approximately \$35 million since April 2002 towards urgent humanitarian health, food and water activities to meet basic human needs of the Palestinian people. USAID partners are actively providing psychological trauma support to children, while training parents and teachers regarding counseling skills and techniques. Medical supplies, equipment, and pharmaceuticals are being procured to fill commodity gaps within the health system. First response, emergency obstetrical, and advanced life support training are on-going at the community level to ensure health providers have the skills necessary to provide quality health services. Health messages are delivered through television and radio spots to educate families who may be unable to leave their homes. Topics include diarrheal disease prevention, pregnancy risk factors, and advice for post-natal care.

Water supply pipes and equipment were provided to municipalities to repair damages from the April incursions and to replace depleted municipal stocks. USAID is working with NGO partners to monitor water supplies in more than 200 villages. Funds are available for immediate interventions when the water supply is dangerously limited, or where simple steps could greatly increase the safety of the water supply (e.g., supplying chlorine disinfection tablets, providing water in bottles or tanker trucks). Hundreds of destroyed roof-top water tanks have been replaced, renewing household water storage. USAID is also installing or repairing well pumps across the West Bank to increase water supplies, especially in rural areas and in villages most isolated by the closures.

USAID also provided support to UNRWA, WFP and the ICRC. WFP is providing emergency food assistance for the most vulnerable sectors of the population. The ICRC, under its appeal, provides vouchers for the most needy in urban areas to buy food from the local market. With WFP providing aid to approximately 600,000 non-refugees and UNRWA providing services to 70 percent of the Gaza population and 30 percent of the West Bank population, their efforts contribute essential assistance to a large segment of the overall population.

2. Preventing the Negative Long-Term Effects of Malnutrition: A USAID-funded Rapid Nutritional Assessment exposed alarming rates of malnutrition among Palestinian women and children. In Gaza, 13.3 percent of children between the ages of 6 and 59 months are suffering from acute malnutrition and

11.7 percent of the children in the West Bank and Gaza are suffering from chronic malnutrition. As a result of the findings, USAID increased food assistance contributions through WFP and the ICRC, facilitated the introduction of iron fortified grain into the Palestinian markets, supplied iron supplementation for use by pregnant women, and arranged training for Palestinian health officials in early detection of and proper treatment for malnutrition and anemia. The Assessment also had significant impact on policy change and formulation amongst stakeholders and the donor community. For the first time ever, the PA Ministry of Health, with USAID's assistance, approved a National Nutrition Strategy, which will change how health care providers diagnose, care for, counsel, and treat macro and micronutrient deficiencies and malnutrition amongst Palestinian women and children. Also, UNRWA, the largest humanitarian agency in the region, has changed a 50 year policy and is now providing only iron-fortified wheat flour under its regular and emergency food aid programs.

3. More Water for Bethlehem and Hebron Area Residents: USAID has remained steadfast in implementing a multi-year program that combines the rapid development of new water sources, and an improved system of water distribution and management. In December 2000, USAID began the construction of four wells and transmission pipelines that, when fully operational, will add significant new sources of water in the Bethlehem and Hebron regions. One of the wells and several booster stations and pipelines began operations in FY02. The other wells, delayed by closures, will begin pumping water in February 2003. The new system connects to previously constructed USAID water projects in this region. USAID also connected booster pumps to permanent power sources, guaranteeing a reliable source of clean water for more than 400,000 Palestinians.

4. Gaza and West Bank Villagers Benefit from Community Services Programs: Once again, the Community Services Program (CSP) demonstrated extraordinary adaptability and exceeded expectations by improving the lives of 1.2 million Palestinians, more than one-third of the total Palestinian population. In FY02 alone, the CSP constructed or renovated 317 classrooms, 67 youth centers, 31,156 square meters of outdoor playgrounds, 6,706 square meters of fences, reclaimed 480 acres of agricultural land, constructed/rehabilitated 213 kilometers of agricultural roads, provided a total of 74,250 trainee-hours in short-term vocational training courses, and created more than 730,000 employment days.

Um al-Nasr is just one of the 243 communities that benefit from the CSP. Through Save the Children, the CSP built a new health clinic and community center to serve the 5000 residents of this Bedouin community in northeast Gaza. Once an extremely traditional Bedouin village hostile to strangers, this community is now more open to outsiders and women have been empowered as a direct byproduct of this project. The women were instrumental in setting the development priorities of the village, involving the wider community and ensuring the completion of this project. Um al-Nasr's success has leveraged a \$150,000 pledge by UNDP for a sewage treatment network in the village.

Environmental Compliance: The Mission reviewed all strategic objectives and determined that all current activities are in compliance with approved Initial Environmental Examinations (IEEs), Environmental Assessments, and Categorical Exclusions and all required mitigations and conditions are being followed. Plans for new or amended IIEs or EA include: Hebron Wastewater Treatment Plant, Gaza Desalination Plant, Gaza Regional Water Carrier, and Village Water and Sanitation.

Country Closeout & Graduation:

D. Results Framework

294-001 Expanded Economic Opportunities

SO Level Indicator: Cumulative number of loans under USAID funded micro enterprise finance program operated by commercial banks and NGOs

SO Level Indicator: Increased employment directly attributable to USAID intervention

SO Level Indicator: Increased exports directly attributable to USAID intervention

IR 1.1 Increased access to financial services by the private sector

- IR 1.2 Increased Access to Markets
- IR 1.3 Effective Operation of Selected Economic Regulatory Institutions

Discussion: IR 1.3 Effective Operation of Selected Economic Regulatory Institutions was de-emphasized under approved Transition Plan

294-002 Greater Access to and More Effective Use of Scarce Water Resources

SO Level Indicator: Metered per capita consumption in selected areas

SO Level Indicator: Percent of agricultural, industrial and commercial requirements met with non-potable water (USAID only)

- IR 2.1 Increased water supply from conventional sources
- IR 2.2 Integrated management of water resources

Discussion:

294-003 More Responsive and Accountable Governance

SO Level Indicator: Number of legislative initiatives to elicit public comment on critical draft legislation through formal outreach mechanism

SO Level Indicator: Percentage of targeted public that approves of civil society efforts undertaken on its behalf

SO Level Indicator: Percentage reduction of processing time for civil cases in four pilot courts

- IR 3.1 Increased Participation by Civil Society in Public Discourse
- IR 3.4 Elements of a More Effective Judicial System in Place
- IR 3.2 Legislative Capacity
- IR 3.3 Foundation for Decentralized Local Government in Place

Discussion: IR 3.2 Legislative Capacity and IR 3.3 Local Government were de-emphasized under approved Transition Plan

294-005 Increased Access to Higher Education and Training

Discussion:

294-007 Improved and Sustained Performance in the Health System

- IR 7.1 Improved Quality of Maternal and Child Health and Nutrition Services
- IR 7.2 Improved Behavior Related to Maternal Child Health, Nutrition and Well Being
- IR 7.3 Emergency Needs Met

Discussion: All IRs were slightly modified under approved Transition Plan and as a result of escalating emergency situation

294-008 Improved Community Services

SO Level Indicator: Increased number of Beneficiaries

SO Level Indicator: Increased number of employment days generated

- IR 8.1 Improved physical infrastructure
- IR 8.2 Improved quality of service and economic infrastructure
- IR 8.3 Improved income generation
- IR 8.4 Enhanced access to humanitarian relief in times of crisis

Discussion: IR 8.3 was modified and IR 8.4 was added as a result of escalating emergency situation